Richelieu America

"One of the funny things about the stock market is that every time one person buys, another sells, and both think they are astute." – William Feather

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Markets

Reaching new all-time highs in March, the S&P 500 has finished its best first quarter since 2019. Propelled by relatively positive economic data. It is now ahead 10.6% year-to-date in 2024 as concerns over a U.S. economic recession have subsided and investors have shifted their attention to the timing of a Federal Reserve pivot from monetary policy tightening to policy easing. In addition to big gains for the S&P 500, an ongoing rally in artificial intelligence related stocks and dovish commentary by Federal Reserve officials drove the Dow Jones Industrial Average and the Nasdaq higher in the first quarter. For the market to continue its hot start to 2024, the Federal Reserve will likely need to make further progress in bringing down inflation so it can stay on track to begin cutting interest rates sometime this year.

In this context, the four main US equity indices ended the month in positive territory. The S&P 500 is up 3.2%, the Nasdaq 1.8%, the Dow Jones Industrials 2.2% and the Russell 2000 3.6% for the month. Year to date, the S&P 500 is up 10.6%, the Nasdaq 9.3%, the Dow Jones Industrials 6.1% and the Russell 2000 5.2%. In terms of investment styles, value (+4.6%) outperformed growth (+2.1%) in March but growth (+12.8) continues to outperform value (8.1%) on a year to date basis. All performance figures are in dollars and dividend reinvested. The US dollar rose 0.20% against the euro during the month and is up 2.3% on a year to date basis, helping performance for non-hedged Euro based investors.

Fund

The fund outperformed both its benchmark Bloomberg US Large & Mid Cap Net Return Index and the S&P 500 dividend reinvested in March. Both the core dividend growth and the multi-thematic bucket ended the month in positive territory with the Multi Thematic bucket outperforming. The best contributors to performance in March in the core bucket were Nextera Energy, Target, Canadian Natural Resources and Caterpillar. The worst were Nike, Albemarle, McDonald's and Ingredion. The best contributors in the multi-thematic bucket were Micron Technology, Chemours, MobilEye Global et Bombardier.

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The worst were Adobe, Nouveau Monde Graphite, Lion Electric and Uber Technologies. Our allocation between our core and multi-thematic buckets were stable in March as we continue to believe that a barbell approach is the correct one for the coming quarters. Our main overweight positions remain Industrials, Materials and Consumer Staples. Our main underweights are to Financials, Healthcare and Information Technologies. In terms of Thematic in our satellite bucket, we reduced our exposure to the Transport of tomorrow thematic. Our highest allocations are to Technological Innovation, Transport of tomorrow and Re shoring Thematics. We continue to monitor the situation closely and are ready to adjust our allocation if necessary.

Looking ahead

If we look at the latest Strategist forecast for the S&P500 year end, we have an average S&P500 target price of 4962 with a median target price 5100. If we look at the latest EPS forecast for 2024, which currently at 243,51$ and apply the current multiple of 21, we get a year end target price of 5 113,71. The S&P500 ended the month on a high of 5 254,35. What we saw over the last month is an outperformance of the equal weighted S&P500 versus the S1P500. I personally believe that if the rally is to continue, performance has to move away from tech and spread ro other sectors or styles. For others, you can take comfort in the fact since 1950, when the S&P 500 is up in each of the first three months of the year, it averages a 1.8% gain in April, a 3.1% gain in the second quarter and a 9.8% gain in the remaining nine months of the year. In addition, in years the S&P 500 has gained at least 10% in the first quarter, it has averaged a 6.5% gain over the final nine months of the year.